FINNING Annual Report 1971

File

Finning Tractor & Equipment Company Limited

The pictures on the front cover and on this page illustrate a pipeline spread at work near 100 Mile House in the Central Interior.

This was the first major pipeline construction within the province for many years and, if several proposed developments are approved within the next year or two, could be the forerunner of greatly increased activity, particularly in the northern part of British Columbia and the Northwest Territories.

This project involved looping some 234 miles of the 36-inch Westcoast Transmission natural gas line in 12 sections from Huntington on the U.S. border to Chetwynd in the Peace River country.

Caterpillar pipelayers, crawler tractors and loaders and Koehring hydraulic excavators were used on the job. As parts and service support was particularly important under contract deadlines, a service specialist was assigned full-time to the project. He expedited parts and repair requirements and provided technical service assistance.

Our participation in this project indicates the company's ability to meet new and sudden market developments and to supply equipment and support services as they are required.

Highlights of operations

	1971	1970	1969	1968	1967	1966
	(thousands of dollars)					
Revenue	$91,707	$74,092	$78,584	$55,413	$49,508	$45,514
Income before income taxes	6,422	4,867	5,671	3,838	3,159	1,829
Net income	3,286	2,384	2,772	1,812	1,681	967
Capital expenditures	1,786	1,630	1,985	1,671	412	847
Net income per share*	$ 1.69	$ 1.23	$ 1.43	$ .93	$ .86	$ .50
Net income as a percentage of revenue	3.6%	3.2%	3.5%	3.3%	3.4%	2.1%
Number of employees at year end	1,180	1,011	1,207	894	765	750

**Based on 1,944,000 Common Shares outstanding at December 31, 1971.*

The valuation day value for the Common Shares of the Company as determined by the Department of National Revenue as at December 22, 1971 is $12.50 per share.

To the shareholders

Despite a multitude of problems, 1971 was the best year which this company has enjoyed. The financial statements speak for themselves. Our revenues reached $91,707,000 which was an increase of 24%. Net income after tax rose to $3,286,000, or $1.69 per share, for an increase of 38%.

The growth in our sales volume took place in what was essentially a replacement market for equipment rather than a new capital equipment market. The relative volume of used equipment taken in trade increased substantially and, with very aggressive competition, put a strain on the profit of our used equipment operation. We were able to increase our share of the overall business available even though there were very few large new equipment fleet sales processed. Growing customer concern with the productivity of equipment, as expressed in machine unit costs, repairs, and availability, and their resultant demands on our services, provided the major challenge of 1971.

The variety of service programs offered to the customer, both in the field and in our shops, was expanded. Further heavy expenditures were made on new shop tools and equipment, particularly diagnostic equipment.

Our Training Division accepted the increased burden of technical training within the company, and made outstanding progress in commercial training programs involving mechanical training, operator training and management training. These "outside" training services are now performed on a profitable basis.

Significant improvements have taken place within our various divisions, namely, our Lift Truck and Systems Division, Engine Division and Light Industrial Division. The addition of the Grove Crane line to our Crane and Excavator Division rounded out the product line and marketing concepts which will allow further improvement on an already acceptable performance.

The acquisition of the G. M. Philpott companies opens new air equipment markets to us and further complements our ability to service our customers' requirements in our main market areas: logging, construction and open pit mining. For the period September 1, 1971, the effective date of the takeover of G. M. Philpott, to December 31, 1971, revenue was $1,184,000. Net income was $68,000 or 3¢ per share.

The criteria common to our acquisition of other companies or other product lines is that these lines shall be complementary to our efforts as a Caterpillar dealer. They shall place us in a position where we achieve a degree of market diversification that will help in our merchandising of the Caterpillar product, now or in the future, and these lines shall, within themselves, offer a profit potential equal to that which we can obtain in our normal marketing efforts.

Pipelining enjoyed a good year with excellent future prospects. Construction and oil field developments throughout the Northwest Territories also helped us to shake some of the lethargy in our British Columbia market. Off-shore sales into the Pacific Rim area continue to improve, particularly for electrical switchgear and custom motor controls which we design and manufacture.

The forecasting of the future is not without its risks but your management is confident that we may look forward to a revenue growth of 15% for 1972. Past averages indicate that this is not an unrealistic figure. It will be difficult because of increased labour costs, to substantially improve upon our net profit margin but this will remain our dominant corporate goal.

One cloud on the horizon is, of course, the labour negotiations which affect 70% of the unionized labour force in British Columbia this year. However, not until mid-year will we be able to assess the impact of this situation. This is a real concern but there are other circumstances which can affect our business just as severely in the short run. Things like an early break-up in the North, prolonged fire season in the summer, extremely heavy snow fall in the coastal area, can make for

significant problems when viewed in the short term analysis. If these situations occur, we will point them out in our interim reports.

Our honest efforts to respond to the needs of our customers will force us to do an even better job in 1972 in adding real value to all of the products that we sell and all of the services that we offer.

WM Young

W. M. YOUNG,
President.

Illustrative of the products sold by G. M. Philpott Co. Ltd. are these Gardner Denver rock drills on reconstruction of the Upper Levels Highway through West Vancouver.

Directors and officers

Directors

H. CLARK BENTALL
President, The Dominion Construction Company Limited, Vancouver

ROBERT C. BISS*
Vice-President, Finning Tractor & Equipment Company Limited, Vancouver

JOHN D. FRAZEE*
Vice-President, Finning Tractor & Equipment Company Limited, Vancouver

THOMAS E. LADNER, Q.C.
Partner, Ladner Downs, Vancouver

RICHARD E. LANE*
Executive Vice-President, Finning Tractor & Equipment Company Limited, Vancouver

J. ROSS LEMESURIER
Vice-President, Wood Gundy Limited, Toronto

VINOD K. SOOD*
Vice-President, Finning Tractor & Equipment Company Limited, Vancouver

W. MAURICE YOUNG*
President, Finning Tractor & Equipment Company Limited, Vancouver

*Member of Executive Committee

Officers

W. MAURICE YOUNG, *President*

RICHARD E. LANE, *Executive Vice-President*

ROBERT C. BISS, *Vice-President Parts and Service*

JOHN D. FRAZEE, *Vice-President Sales*

VINOD K. SOOD, *Vice-President Finance*

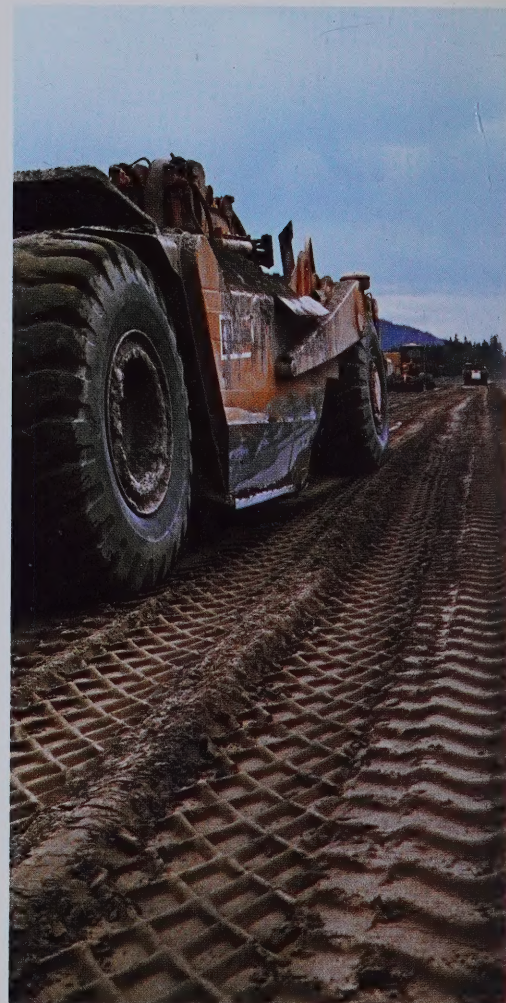
RONALD W. PARK, *Secretary*

Cranbrook was the site of the mid-July meeting of the Board of Directors; the first Board meeting to be held outside of Vancouver.

The Cranbrook operation has grown rapidly in recent years, sparked by the development of the vast coal fields of the Fernie-Natal region and by the increased log production for lumber and pulp. Expansion and renovation of the Cranbrook facility to meet these new demands for service was completed earlier in the year.

After the Board meeting, the Directors met Cranbrook customers, civic officials and industry representatives at a reception in the new facilities. They concluded their visit by making a specially arranged day-long tour of coal mining operations in the area.

Machines and markets in 1971



Somewhat of a paradox. That phrase best describes 1971 as we review the company's business.

It was a year which saw a decline in some markets that started out well and an uptrend in other markets that started out with hesitation. It was a year for replacement business rather than for large new fleet purchases. It was a year of continued unemployment, economic difficulties and a troubled international monetary situation. Yet new marketing opportunities arose and, being in a position to take advantage of them, the company turned 1971 into its best year in history.

The mining industry surged into the 1970's on a wave of unprecedented exploration, development and production. Large tonnage, low grade copper and molybdenum open pit mines and vast coal stripping operations had brought British Columbia mineral production to record highs. But in 1971 the pace slowed and the year became one of uncertainty. Unfavourable aspects of pending federal legislation, the unsettled international monetary situation, lower world metal prices, and slower demand forced closures and cutbacks in some British Columbia mines.

Consequently, mining declined as a percentage of the company's overall business although it remained our third largest market. Preparation for production at several large Interior operations and further development of the Kootenay coal fields were the year's major activities. Construction companies with their fleets of earthmoving equipment derived significant volumes from mine site development.

While several mines will come into production in 1972 and a fair volume of replacement business should take place, the industry does not expect a sudden return to record levels of activity.

The forest industry, which is still the company's first market by a good margin, started the year slowly but ended on an encouraging uptrend. Demand for lumber and wood

products increased with the rising number of housing starts, particularly in the United States, and any further strengthening of the United States economy will boost sales for British Columbia's forest industry. The pulp market was poor, and a sluggish demand combined with present oversupply indicates little change for this part of the industry in 1972.

While our equipment sales generally followed the pattern of previous years, Interior loggers were given a look at things to come in road-building techniques. During a "Skogdag" field day at Cranbrook the company's logging specialists demonstrated how larger tractors, rubber-tired earthmovers and compactors can build long haul roads in less time and at lower costs. New techniques and larger, faster machines will be needed as loggers reach farther and farther for their timber.

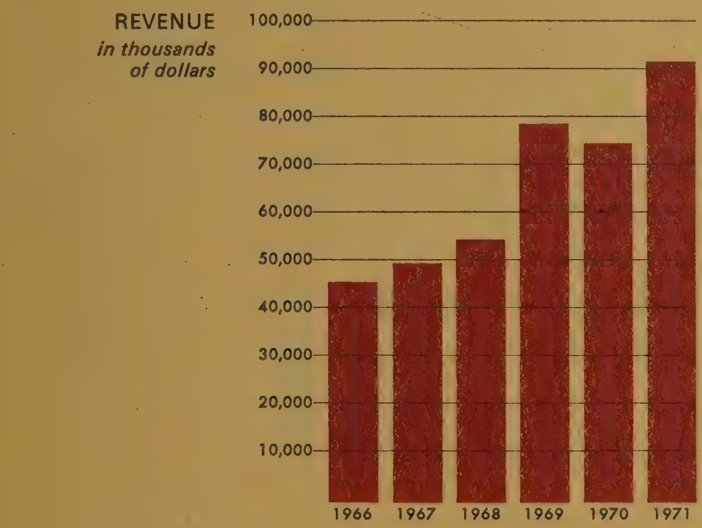
Also as a forecast of things to come, Caterpillar at the close of the year introduced its first wheeled skidder, and has since announced a second larger model. These machines are used in both pulp and sawlog operations. Other equipment specifically designed to harvest smallwood is scheduled for 1972 production. This rounding out of the Caterpillar logging line enables the company to provide its customers with a complete "system" that can be matched to their particular woods operations.

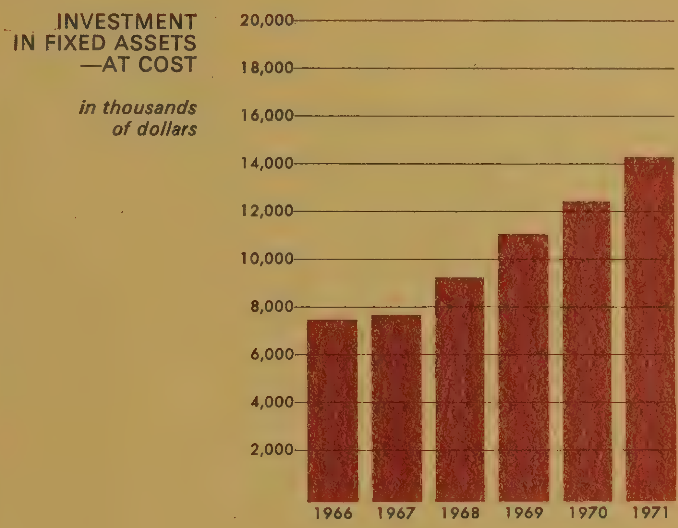
Machines and markets in 1971
(Continued)

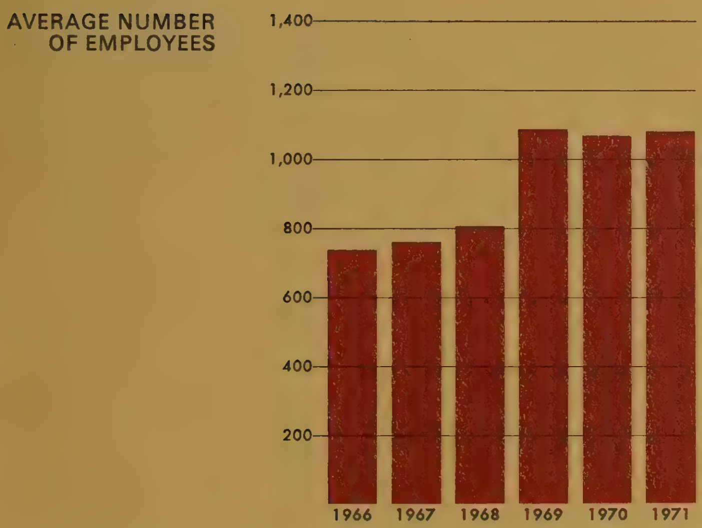
The construction industry turned in a better year, particularly on the strength of an increased highways program. The accelerated highways work, both reconstruction and paving, highlighted several major projects, such as the Upper Levels Highway widening to Horseshoe Bay and the start on extending the four-lane 401 Freeway to Hope. Additional big volume earth-moving contracts were awarded for the northern extension of the British Columbia Railway (P.G.E.), building of rail lines into new coal fields, other railroad work and, as mentioned earlier, mine site development.

There was considerable construction activity within the Arctic Circle where contracts were let to rebuild 68 miles of the 500-mile Dempster Highway joining Inuvik, NWT, to Dawson City, Yukon. We were successful in supplying equipment for this work and, in order to provide adequate backup support, established a parts depot and service residency at Arctic Red River as well as leasing larger facilities at Inuvik.

The volume of construction activity is expected to continue throughout 1972 with additional highway reconstruction and further extension of the British Columbia Railway towards the Yukon border, a start on the next phase of the Mica Dam, the building of the Kootenay Canal, and additional clearing of transmission line right-of-way from Mica.


REVENUE
in thousands of dollars
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
1966
1967
1968
1969
1970
1971


INVESTMENT IN FIXED ASSETS —AT COST
in thousands of dollars
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
1966
1967
1968
1969
1970
1971


AVERAGE NUMBER OF EMPLOYEES
1,400
1,200
1,000
800
600
400
200
1966
1967
1968
1969
1970
1971


NET INCOME
in thousands of dollars
3,500
3,000
2,500
2,000
1,500
1,000
500
1966
1967
1968
1969
1970
1971

Consolidated Balance Sheets

as at December 31, 1971 and 1970

Assets

	1971	1970
CURRENT ASSETS:		
Cash	$ 393,884	$ 103,206
Notes and accounts receivable *(Note 3)*—		
Instalment notes, at principal balances, including $3,123,499 ($2,584,313 in 1970) due after one year	7,342,787	7,594,050
Accounts receivable	10,522,034	8,859,089
Inventories, at the lower of cost or market *(Note 2)*—		
Equipment—partially pledged	20,961,690	15,488,815
Parts and supplies	9,219,135	8,928,554
Total current assets	$48,439,530	$40,973,714
EQUIPMENT LEASED TO CUSTOMERS, at cost less accumulated depreciation of $7,589,361 ($7,621,846 in 1970) *(Note 3)*	$10,899,378	$13,097,910
FIXED ASSETS, at cost *(Notes 3 and 4)*:		
Land	$ 1,201,787	$ 844,181
Buildings and equipment	13,068,998	11,648,759
	$14,270,785	$12,492,940
Less—Accumulated depreciation	5,662,550	4,765,152
	$ 8,608,235	$ 7,727,788
OTHER ASSETS, at cost	$ 48,795	$ 56,697
	$67,995,938	$61,856,109

Approved on behalf of the Board:
"W. M. Young", *Director*
"V. K. Sood", *Director*

Finning Tractor & Equipment Company Limited

Liabilities

	1971	1970
CURRENT LIABILITIES:		
Notes payable—		
Bank *(Note 3)*	$23,735,270	$19,543,715
Other—secured	763,436	2,613,987
Accounts payable and accruals	7,462,187	5,628,934
Income taxes	2,108,295	1,107,000
Current portion of long-term debt	1,662,846	1,718,767
Total current liabilities	$35,732,034	$30,612,403
LONG-TERM DEBT, less current portion *(Note 4)*	$ 3,864,012	$ 5,636,758
DEFERRED INCOME TAXES	$ 4,948,169	$ 4,755,370
SHAREHOLDERS' EQUITY:		
Share capital *(Note 6)*—		
Common Shares, without par value—		
Authorized 5,000,000 shares;		
Outstanding 1,944,000 shares	$ 8,564,887	$ 8,564,887
Retained earnings *(Note 7)*—		
Balance, beginning of year	$12,286,691	$10,194,243
Net income	3,286,145	2,384,048
Write-off of goodwill on acquisition of subsidiary	(200,000)	—
Dividends paid—$0.25 ($0.15 in 1970) per share	(486,000)	(291,600)
Balance, end of year	$14,886,836	$12,286,691
	$23,451,723	$20,851,578
	$67,995,938	$61,856,109

Consolidated Statements of Income

for the years ended December 31, 1971 and 1970

	1971	1970
REVENUE	$91,707,069	$74,092,035
EXPENSES *(Note 9)*		
Cost of sales and selling expenses	$77,848,182	$62,244,731
General and administrative	5,447,127	4,411,502
Interest—Current	1,524,407	2,060,776
Long-term	465,288	507,984
	$85,285,004	$69,224,993
Income before income taxes	$ 6,422,065	$ 4,867,042
PROVISION FOR INCOME TAXES	3,135,920	2,482,994
Net income	$ 3,286,145	$ 2,384,048
NET INCOME PER SHARE *(Note 10)*	$ 1.69	$ 1.23

Consolidated Statements of Source and Application of Funds

for the years ended December 31, 1971 and 1970

	1971	1970
SOURCE OF FUNDS:		
From operations—		
Net income	$ 3 286,145	$ 2,384,048
Add charges not requiring the outlay of funds—		
Depreciation—		
Equipment leased to customers	4,053,113	4,336,301
Fixed assets	886,515	824,210
Deferred income taxes	192,799	703,437
Total funds from operations	$ 8,418,572	$ 8,247,996
Increase in long-term debt	—	135,037
Sale of fixed assets	70,296	74,299
Other	—	195,993
	$ 8,488,868	$ 8,653,325
APPLICATION OF FUNDS:		
Additions—		
Equipment leased to customers, net of disposals	$ 1,854,581	$ 6,027
Fixed assets	1,786,472	1,629,730
Decrease in long-term debt	1,772,746	—
Dividends paid	486,000	291,600
Goodwill on acquisition of subsidiary—written off	200,000	—
Other	42,884	—
	$ 6,142,683	$ 1,927,357
Increase in working capital	$ 2,346,185	$ 6,725,968
WORKING CAPITAL, BEGINNING OF YEAR	10,361,311	3,635,343
WORKING CAPITAL, END OF YEAR	$12,707,496	$10,361,311

Notes to Consolidated Financial Statements

December 31, 1971

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities and results of the operations of the wholly-owned subsidiary, Finning Tractor (1959) Ltd.

Effective September 1, 1971, the Company acquired all the outstanding shares of G. M. Philpott Co. Ltd., which wholly owns G. M. P. Products Ltd., and of Cancal Properties Ltd. The consolidated financial statements include the assets and liabilities of these companies as at December 31, 1971, and the results of their operations for the four months then ended.

2. INVENTORIES

Inventory cost is on a specific item actual cost basis for equipment and a first-in, first-out basis for parts and supplies. Net realizable value has been used to determine market.

3. NOTES PAYABLE—BANK

These notes are payable on demand and are secured by the pledge of notes and accounts receivable and equipment lease agreements. In addition, the bank holds $10,000,000 Demand Debentures as collateral security. These debentures are secured by a trust deed on the same basis as, but ranking next in priority to, the First Mortgage Debentures.

4. LONG TERM DEBT	1971	1970
First Mortgage Debentures	$3,200,000	$3,800,000
Other first mortgages	474,864	529,050
Other secured agreements	101,994	221,475
Note payable	1,750,000	2,805,000
	$5,526,858	$7,355,525
Less—Current portion included in current liabilities	1,662,846	1,718,767
	$3,864,012	$5,636,758

The First Mortgage Debentures bear interest at 7¼% and are payable at $600,000 per annum from 1972 to 1975 with the balance due in 1976. They are secured by a trust deed which constitutes a first fixed charge on substantially all the fixed assets of the Company and on all the shares of its subsidiary, Finning Tractor (1959) Ltd., and by a floating charge on the undertaking, property and assets of the Company and Finning Tractor (1959) Ltd., and are guaranteed by Finning Tractor (1959) Ltd.

Other first mortgages on certain land and buildings bear interest from 7% to 10% per annum. Combined annual payments, including principal and interest, total $83,619. Maturity dates of the various first mortgages range from 1974 to 1995.

Other secured agreements bear interest from 7% to 8% per annum. Combined annual principal payments total $12,742 and these agreements mature in 1978. Also included in other secured agreements is a loan against the cash surrender value of a life insurance policy, bearing interest at 6% per annum, with no specific repayment terms.

The note payable currently bears interest at 7% and is secured by the assignment of future rentals receivable under the terms of certain equipment lease agreements. The note is repayable at $1,000,000 (U.S.) in 1972 with the balance due in 1973.

5. CURRENCY CONVERSION

Included in liabilities is $4,360,618 ($6,781,361 in 1970) payable in U.S. currency which has been converted to Canadian funds at par (a premium of 2% in 1970).

6. STOCK OPTIONS

The Company has established an employee stock option plan pursuant to which 97,200 Common Shares of the Company are reserved for issue upon the exercise of stock options granted to bona fide full-time officers and employees of the Company. Under the plan, the Directors have granted options to purchase 42,000 Common Shares to 17 employees. All the authorized options are to be exercisable at $12.75 per share, are to expire April 30,

1975 and are to be exercisable on a cumulative basis as to 20% thereof by each employee during each of the five consecutive twelve month periods commencing May 1, 1970. The options provide for their earlier termination in the event that the employment of the person to whom the option is granted ceases prior to the expiry date of the option. No options have been exercised.

The dilution of earnings per share which would occur in the event that these options are exercised is of relative insignificance.

7. RESTRICTIONS UNDER DEBENTURE TRUST DEEDS

The trust deeds securing the Demand Debentures referred to in Note 3 and the First Mortgage Debentures referred to in Note 4 contain certain restrictions including provisions that the Company will not permit net working capital to be less than $12,500,000 and that the Company and any subsidiary will not, without the consent of the holder of the debentures, declare or pay any dividend which would reduce net working capital below $12,500,000.

Net working capital is defined under the trust deeds to include the working capital as reflected in the accompanying balance sheet together with equipment leased to customers ($10,899,378 at December 31, 1971) and other minor items. The defined net working capital amounted to $24,905,196 at December 31, 1971; accordingly $12,405,196 of retained earnings was not restricted at December 31, 1971.

8. PENSION PLAN

In 1969, the Company increased the benefits under its employee pension plan, effective January 1, 1969. As a result, the independent consulting actuary estimates that the unfunded past service cost was $435,000 as of January 1, 1969. The Company has not been amortizing this past service cost because it was expected that the anticipated experience of the fund would be sufficient to provide for it. If after the next actuarial study to be made as of December 31, 1971, it appears that the experience of the fund will not be sufficient to provide for this unfunded cost, the Company will commence to amortize it over a period not to exceed 20 years.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid by the Company and its subsidiaries directly or indirectly to the Directors and Senior Officers of the Company during 1971 was $381,715 ($288,168 in 1970).

10. NET INCOME PER SHARE

Net income per share for 1971 and 1970 has been calculated on the basis of 1,944,000 Common Shares outstanding at December 31, 1971 and 1970.

Auditors' Report

TO THE SHAREHOLDERS OF FINNING TRACTOR & EQUIPMENT COMPANY LIMITED:

We have examined the consolidated balance sheet of FINNING TRACTOR & EQUIPMENT COMPANY LIMITED (a British Columbia company) AND SUBSIDIARIES as of December 31, 1971, and the related consolidated statements of income and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and source and application of funds present fairly the financial position of Finning Tractor & Equipment Company Limited and subsidiaries as of December 31, 1971, and the results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 4, 1972, Vancouver, B.C.

ARTHUR ANDERSEN & CO.
Chartered Accountants

Finning Tractor & Equipment Company Limited

Head Office
555 GREAT NORTHERN WAY, VANCOUVER 10, CANADA

Auditors
ARTHUR ANDERSEN & CO.
Chartered Accountants, Vancouver, Canada

Solicitors
LADNER DOWNS
Barristers and Solicitors, Vancouver, Canada

Registrar and Transfer Agent
CANADA PERMANENT TRUST COMPANY
Vancouver, Calgary, Winnipeg, Toronto and Montreal

Stock Exchanges
VANCOUVER AND TORONTO STOCK EXCHANGES

Machines and markets in 1971
(Continued)

The oil and natural gas industry produced an increase in revenue, not only through the pipeline project but also through expanded exploration activity serviced by our Dawson Creek operation. This incremental business helped take up slack caused by the decline in other traditional markets.

Oil and natural gas pipeline proposals for Alaska and the Northwest Territories remain much in the news. Although firm commitments are still to be made and many problems remain to be solved, future prospects are exciting.

We explained earlier how the pipeline project demonstrated the company's capability to meet new opportunities. Further evidence was contributed by our export sales to Pacific Rim countries. This new business developed as international consulting firms based in Vancouver were called upon by Pacific Rim countries for their technical assistance and expertise. Working in conjunction with these consultants, we have supplied equipment and special components for various industries.

Our success with exports to the Pacific Rim has been particularly encouraging and we anticipate steady growth.

During 1971 new direction was given to our governmental marketing program. Sales to the federal, provincial and local governments should show steady improvement.

In our previous annual reports we have explained how the company is organized into a number of small units—divisions and departments—to give customers personalized and specialized service within a particular industry or product. This gives the customer the best of both worlds—the more personal relationship and individual attention of a small organization backed by the financial capabilities and inventory resources of a larger company.

A good example is the Light Industrial Division, which serves the needs of small contractors. Products, services, facilities and staff are organized particularly for this type of customer and the concept of small individual units working within the corporate framework has been well accepted.

This division scored an industry "first" when it held a "Business Seminar for the Small Contractor" at our Vancouver facilities. Some 50 contractors attended the day-long sessions to hear experts discuss machine record keeping, basic business records, estimating machine production, and other pertinent subjects. The success of this innovation has led to additional seminars being planned for other locations.

The Lift Truck and Systems Division sells and services lift trucks, plans and equips warehouse storage and distribution operations.

Machines and markets in 1971
(Continued)

Sales increased by 30 per cent in 1971 as the industry became more aware that Finning is in the warehousing and distribution field and is able to provide quality product and competent service. Caterpillar research and development has led to new and improved design of lift trucks and the product has won increased acceptance.

Expansion of container handling on Vancouver area docks led to the sale of several big-capacity lift trucks, and further opportunities should develop. Indicative of the company's continuing capacity to design and market special modifications of standard machines is the Towmotor tire manipulator. This lift truck, with a special attachment to grip and carry big tires used on trucks and other heavy equipment, has created much interest in Canada and the U.S.

The Engine Division continues to expand. The division's ability to design and assemble its own switchgear and control panels has been a major contributor to steady growth. Production of Porta-Lec electric sets, a 15 to 50 kilowatt unit suited to a wide range of applications, has increased and enquiries are now being received from outside the province.

Marine installations are the largest outlet for Caterpillar and Perkins diesel engines while forestry, mining and construction share the balance of industrial engine and electric set sales.

Machines and markets in 1971
(Continued)

The Crane and Excavator Division expanded its marketing organization and acquired two diversified new lines.

An extensive sewer installation program throughout the Lower Mainland and other areas provides a ready market for Koehring and Bantam hydraulic excavators. This activity should be sustained through 1972 and beyond. Prototype Koehring hydraulic log loaders were placed in the field and successfully tested. This opens a sizeable new market for us.

The division acquired the Cascade Ramey line of loaders. This is a stationary or truck mounted hydraulic loader with capacities up to 25,000 pounds. It is popular in many logging, marine and industrial applications. In December the division was awarded the franchise for Grove hydraulic cranes. Grove is the largest manufacturer of hydraulic cranes in North America. The excellence of this product combined with the increased construction activity forecast for 1972 provides promising potential in these markets.

The Parts Department during the year met an increased demand on its services. Parts inventory management was further refined through new computer programs. Internally, it was generally a year where our parts systems were broadened to produce a higher level of availability and maximum utilization of inventory throughout the company.

A parts apprenticeship training course was inaugurated in Vancouver and it will be extended throughout 1972. This basic three year program includes distribution methods, product, machine components and systems, communications and in-store merchandising. The program was started because skilled people are not available on the open labour market and it will enable the company to place trained partsmen at all locations just as the service apprenticeship program has supplied journeymen mechanics over the years.

Manpower development was also a key objective of the Service Department in 1971. The apprenticeship and other internal service training programs were fully subscribed and an accelerated apprentice training course was introduced to develop selected people more quickly. Some 85 men were enrolled in service apprenticeship training.

The Total Service Concept of machine maintenance and repair was extended during the year to enable us to put out machines on a fully maintained cost basis. A certain market exists for this kind of service and we now have the capability to take full advantage of these opportunities as they arise.

Much was done, using the computer's mathematical speed and accuracy to predict service life of major components in the various machines in specific applications under certain working

conditions. This information enables our customers to follow a "replace before failure" program and thereby minimize production losses and major repair costs.

While in-plant training programs have been fully subscribed and expanded, our Training Division has continued its association with Canada Manpower to train or retrain unemployed people in basic and specialized mechanical skills. Specialized mechanical courses were offered to customer personnel and a management development program was introduced. These courses have been well received and have made the external training function a profitable company venture.

In the first half of 1971 new facilities at Houston and Cranbrook were completed. Land was also purchased for a future new building at Vernon. Larger premises were leased at Inuvik and a parts depot and service residency was established at Arctic Red River.

The number of employees at the end of the year totalled 1,180, an increase of 169 which includes 29 employees of G. M. Philpott Co. Ltd. Relations between the International Association of Machinists and Aerospace Workers and the company's management were harmonious, maintaining the excellent 20-year record since certification. The present collective agreement expires on November 15 of this year.

To illustrate the vastness of our sales and service territory, we have superimposed an outline of British Columbia and part of the Northwest Territories on a map of Europe. As you can see, the area, by comparison, extends from the top of the British Isles down into North Africa. We hope this serves to indicate the size of the area we serve more graphically than a mere recital of mileages.

Locations:

Arctic Red River, Campbell River, Chilliwack, Clearwater, Cranbrook, Dawson Creek, Fort Nelson, Fort St. James, Golden, Harmer Ridge, Houston, 100 Mile House, Inuvik, Kamloops, Kitimat, Mackenzie, Mica Creek, Nanaimo, Natal, Nelson, Port McNeill, Prince George, Prince Rupert, Queen Charlotte City, Quesnel, Revelstoke, Rutland, Terrace, Vancouver, Vernon, Victoria, Williams Lake.

FINNING

FINNING TRACTOR & EQUIPMENT COMPANY LIMITED